

# **City of Farmington Hills, Michigan General Fund**

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**Financial Report  
June 30, 2003, 2002, and 2001**

# City of Farmington Hills, Michigan

## General Fund

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## Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Farmington Hills, Michigan

We have audited the accompanying financial statements of the General Fund of the City of Farmington Hills, Michigan as of June 30, 2003, 2002, and 2001 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the City of Farmington Hills, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the General Fund and do not purport to, and do not present fairly the financial position of the City of Farmington Hills, Michigan as of June 30, 2003, 2002, and 2001 and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the City of Farmington Hills, Michigan as of June 30, 2003, 2002, and 2001 and the changes in its financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the City of Farmington Hills, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2002.

*Plante & Moran, PLLC*



October 14, 2003

# City of Farmington Hills, Michigan

## General Fund

### Balance Sheet

	June 30		
	2003	2002	2001
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 14,284,795	\$ 14,954,135	\$ 16,886,159
Investments (Note 2)	-	3,000,000	-
Receivables - Accrued interest and other	434,978	347,163	207,382
Due from other funds (Note 5)	1,199,426	662,293	479,774
Due from other governmental and component units	1,665,978	1,268,196	3,030,633
Advances due from Southwestern Oakland Cable Commission (Note 8)	2,122,421	2,218,226	518,226
Total assets	<u><b>\$ 19,707,598</b></u>	<u><b>\$ 22,450,013</b></u>	<u><b>\$ 21,122,174</b></u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,123,597	\$ 1,103,107	\$ 1,504,520
Accrued and other liabilities	2,462,260	2,495,871	2,062,828
Due to other funds	37,560	48,881	113,097
Total liabilities	3,623,417	3,647,859	3,680,445
<b>Fund Balance</b>			
Reserved for encumbrances	333,000	579,000	589,170
Reserved for long-term advance (Note 8)	2,122,421	2,218,226	518,226
Unreserved:			
Designated (Note 6)	7,868,365	10,469,827	10,468,319
Undesignated	5,760,395	5,535,101	5,866,014
Total fund balance	<u>16,084,181</u>	<u>18,802,154</u>	<u>17,441,729</u>
Total liabilities and fund balance	<u><b>\$ 19,707,598</b></u>	<u><b>\$ 22,450,013</b></u>	<u><b>\$ 21,122,174</b></u>

# City of Farmington Hills, Michigan

## General Fund

### Statement of Revenue, Expenditures, and Changes in Fund Balance

	Year Ended June 30		
	2003	2002	2001
<b>Revenue</b>			
Property taxes	\$ 27,061,927	\$ 25,445,946	\$ 24,377,854
Intergovernmental revenue:			
Federal	2,936	28,376	24,460
State	8,052,396	8,442,684	8,515,525
Other	154,823	191,730	-
Charges for services	6,835,109	6,140,312	5,581,111
Investment and interest income	789,978	903,316	1,903,872
Fines and forfeitures	2,087,250	2,226,312	2,093,481
Miscellaneous revenue	314,990	284,861	286,560
<b>Total revenue</b>	<b>45,299,409</b>	<b>43,663,537</b>	<b>42,782,863</b>
<b>Expenditures</b>			
General government	12,858,200	12,422,185	11,651,062
Public safety	19,242,028	17,434,838	16,123,281
Public works	6,663,645	6,339,063	5,639,899
Community and economic development	1,975,552	1,898,076	1,828,336
Recreation and culture	5,332,284	4,908,476	4,392,905
<b>Total expenditures</b>	<b>46,071,709</b>	<b>43,002,638</b>	<b>39,635,483</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(772,300)</b>	<b>660,899</b>	<b>3,147,380</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	832,868	799,526	1,197,116
Transfers out	(2,921,980)	(100,000)	(100,000)
<b>Total other financing sources (uses)</b>	<b>(2,089,112)</b>	<b>699,526</b>	<b>1,097,116</b>
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	<b>(2,861,412)</b>	<b>1,360,425</b>	<b>4,244,496</b>
<b>Fund Balance - Beginning of year - As restated (Note 9)</b>	<b>18,945,593</b>	<b>17,441,729</b>	<b>13,197,233</b>
<b>Fund Balance - End of year</b>	<b>\$ 16,084,181</b>	<b>\$ 18,802,154</b>	<b>\$ 17,441,729</b>

# City of Farmington Hills, Michigan

## General Fund

	2003		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Property taxes	\$ 26,935,000	\$ 27,061,927	\$ 126,927
Intergovernmental revenue:			
Federal	-	2,936	2,936
State	7,630,896	8,052,396	421,500
Other	187,793	154,823	(32,970)
Charges for services	6,823,436	6,835,109	11,673
Investment and interest income	650,000	789,978	139,978
Fines and forfeitures	2,073,000	2,087,250	14,250
Miscellaneous revenue	221,000	314,990	93,990
Total revenue	44,521,125	45,299,409	778,284
<b>Expenditures</b>			
General government	12,853,370	12,858,200	(4,830)
Public safety	18,768,198	19,242,028	(473,830)
Public works	6,995,658	6,663,645	332,013
Community and economic development	1,980,495	1,975,552	4,943
Recreation and culture	5,335,272	5,332,284	2,988
Total expenditures	45,932,993	46,071,709	(138,716)
<b>Excess of Revenue Over (Under) Expenditures</b>	(1,411,868)	(772,300)	639,568
<b>Other Financing Sources (Uses)</b>			
Transfers in	832,868	832,868	-
Transfers out	(2,921,980)	(2,921,980)	-
Total other financing sources (uses)	(2,089,112)	(2,089,112)	-
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(3,500,980)	(2,861,412)	639,568
<b>Fund Balance - Beginning of year - As restated (Note 9)</b>	18,945,593	18,945,593	-
<b>Fund Balance - End of year</b>	<u>\$ 15,444,613</u>	<u>\$ 16,084,181</u>	<u>\$ 639,568</u>

## Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual

Year Ended June 30

2002			2001		
Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ 25,438,400	\$ 25,445,946	\$ 7,546	\$ 24,025,400	\$ 24,377,854	\$ 352,454
25,854	28,376	2,522	-	24,460	24,460
8,419,845	8,442,684	22,839	8,134,565	8,515,525	380,960
161,982	191,730	29,748	-	-	-
5,721,511	6,140,312	418,801	5,461,574	5,581,111	119,537
900,000	903,316	3,316	1,550,000	1,903,872	353,872
2,055,000	2,226,312	171,312	2,073,000	2,093,481	20,481
208,259	284,861	76,602	175,000	286,560	111,560
42,930,851	43,663,537	732,686	41,419,539	42,782,863	1,363,324
12,867,044	12,422,185	444,859	12,592,967	11,651,062	941,905
17,094,213	17,434,838	(340,625)	16,620,727	16,123,281	497,446
6,618,132	6,339,063	279,069	6,105,882	5,639,899	465,983
1,938,028	1,898,076	39,952	1,934,703	1,828,336	106,367
5,022,025	4,908,476	113,549	4,735,260	4,392,905	342,355
43,539,442	43,002,638	536,804	41,989,539	39,635,483	2,354,056
(608,591)	660,899	1,269,490	(570,000)	3,147,380	3,717,380
799,526	799,526	-	670,000	1,197,116	527,116
(100,000)	(100,000)	-	(100,000)	(100,000)	-
699,526	699,526	-	570,000	1,097,116	527,116
90,935	1,360,425	1,269,490	-	4,244,496	4,244,496
17,441,729	17,441,729	-	13,197,233	13,197,233	-
<b>\$ 17,532,664</b>	<b>\$ 18,802,154</b>	<b>\$ 1,269,490</b>	<b>\$ 13,197,233</b>	<b>\$ 17,441,729</b>	<b>\$ 4,244,496</b>

# **City of Farmington Hills, Michigan**

## **General Fund**

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### **Notes to Financial Statements** **June 30, 2003, 2002, and 2001**

#### **Note 1 - Summary of Significant Accounting Policies**

These financial statements present only the General Fund and are not intended to present the financial position and changes in financial position of the City of Farmington Hills, Michigan (the "City") in conformity with generally accepted accounting principles. All other activities of the City are recorded in other funds. The City has separately issued a Comprehensive Annual Financial Report that includes all funds and government-wide financial statements of the City for each of the years presented. The accounting policies of the General Fund conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

##### **Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

##### **Basis of Accounting**

The General Fund utilizes the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed on July 1 of the following year and become a lien at that time. These taxes are due on August 31, with the final collection date of February 28 before they are added to the county tax rolls.

- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.



# City of Farmington Hills, Michigan

## General Fund

### Notes to Financial Statements June 30, 2003, 2002, and 2001

#### Note 1 - Summary of Significant Accounting Policies (Continued)

- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- e. The noncurrent portion of accumulated sick and vacation pay is reported as a general long-term liability in the City's government-wide financial statements and not in the General Fund. The City's policy is to pay employees for compensated absences in accordance with various contracts entered into between the City and employee unions. Included in the various contract terms for compensated absences is sick leave earned at the rate of approximately 10 hours per month of service. Sick leave hours earned but unused at year end may be accumulated up to approximately 960 hours. Vacation pay is accrued as earned by employees in accordance with various union contracts.
- f. Fixed assets used in General Fund operations are recorded as expenditures in the General Fund at the time of purchase.

Investments are recorded at fair value, based on quoted market prices.

Other accounting policies are disclosed in other notes to the financial statements.

#### Note 2 - Deposits and Investments

##### Deposits

The City's cash and investments are generally combined for purposes of depositing and investing. Deposits and investments of the City's General Fund at June 30, 2003, 2002, and 2001 were as follows:

	2003	2002	2001
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 4,723,898	\$ 13,603,484	\$ 13,923,466
Investments	9,557,007	4,347,571	2,959,723
Petty cash and cash on hand	3,890	3,080	2,970
Total	<u>\$ 14,284,795</u>	<u>\$ 17,954,135</u>	<u>\$ 16,886,159</u>

# City of Farmington Hills, Michigan

## General Fund

### Notes to Financial Statements June 30, 2003, 2002, and 2001

#### Note 2 - Deposits and Investments (Continued)

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) and were insured to the following amounts:

	2003	2002	2001
Bank balance	\$ 4,130,789	\$ 12,015,278	\$ 13,360,976
Federal depository insurance	600,000	700,000	700,000

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Investments

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty or
- b. The counterparty's trust department (or agent) but not in the City's name

# City of Farmington Hills, Michigan

## General Fund

### Notes to Financial Statements June 30, 2003, 2002, and 2001

#### Note 2 - Deposits and Investments (Continued)

The General Fund's investments at June 30, 2003, 2002, and 2001 were as follows:

	2003	2002	2001
Category 3 investments -			
U.S. government agency securities	\$ -	\$ 3,000,000	\$ -
Uncategorized investments -			
Bank investment pools	<u>9,557,007</u>	<u>1,347,571</u>	<u>2,959,723</u>
 Total investments	 <u>\$ 9,557,007</u>	 <u>\$ 4,347,571</u>	 <u>\$ 2,959,723</u>

The bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. The City believes that the investments in these funds comply with the investment authority noted above.

#### Note 3 - Budget Information

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amounts of encumbrances outstanding at June 30, 2003, 2002, and 2001 total approximately \$333,000, \$579,000, and \$589,000, respectively. During the fiscal years ended June 30, 2003, 2002, and 2001, the budget was amended in a legally permissible manner.

The General Fund budget has been adopted on an activity basis; expenditures at this level in excess of the amounts budgeted are a violation of Michigan law. The budget information for revenue and expenditures presented for the General Fund is a summarization of the actual adopted budget. A comparison of the adopted budget with the actual revenue and expenditures for the year is available at the City offices for inspection.

# **City of Farmington Hills, Michigan**

## **General Fund**

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### **Notes to Financial Statements**

#### **June 30, 2003, 2002, and 2001**

#### **Note 4 - Retirement Plan**

##### **Plan Description**

The City of Farmington Hills Employees' Retirement System (the "Plan") is a single-employer defined benefit pension plan that is administered by the City of Farmington Hills Employees' Retirement System Pension Board. Plan benefits accrue to all general, court, police, and fire employees who qualify under the Plan. The Plan provides retirement and disability benefits to plan members and their beneficiaries. In addition to providing pension benefits, the Plan provides healthcare benefits (in accordance with certain union contracts) for plan members if they reach the normal retirement age while working for the City. The accounts of the Employees' Retirement System are maintained on a calendar year basis. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

##### **Funding Policy**

The obligation to contribute to and maintain the Plan for these employees was established by negotiation with the City's collective bargaining units. Generally, Plan members are required to contribute 4.5 percent (3.5 percent for dispatch members) of base, longevity, and holiday (for certain groups) earnings for pension benefits, plus an additional 1.5 percent for health insurance. The funding policy provides for periodic employer contributions at actuarially determined rates. Employer contributions represented approximately 8.25 percent of covered payroll as of December 31, 2001.

##### **Annual Pension Cost**

During the year ended December 31, 2002, the City's annual pension cost of \$1,696,924 for the Plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2000, using the entry actual age cost method. Significant actuarial assumptions used include: (a) a 7.00 percent investment rate of return, (b) projected salary increases of 4.75 percent per year, (c) additional projected salary increases ranging from 4.75 percent to 30.75 percent per year, depending on age and employee group, attributable to seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 10 years.

# City of Farmington Hills, Michigan

## General Fund

### Notes to Financial Statements June 30, 2003, 2002, and 2001

#### Note 4 - Retirement Plan (Continued)

##### Reserves

As of December 31, 2002, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 10,394,410
Reserve for retired benefit payments	14,635,636

The following trend information includes only pension-related activity (assets, liabilities, and contributions related to health care have been excluded):

##### Three-year Trend Information

	Year Ended December 31		
	2000	2001	2002
Annual pension cost (APC)	\$ 1,501,521	\$ 1,438,356	\$ 1,696,924
Percentage of APC contributed	100.0%	100.0%	100.0%
Net pension obligation	None	None	None
	Actuarial Valuation as of December 31		
	1999	2000	2001
Actuarial value of assets	\$ 66,037,511	\$ 73,653,706	\$ 78,892,804
Actuarial accrued liability AAL (entry age)	64,218,038	70,119,210	75,952,124
Unfunded AAL (UAAL)	(1,819,473)	(3,534,496)	(2,940,680)
Funded ratio	102.8%	105.0%	103.9%
Covered payroll	18,879,095	19,612,045	20,558,629
UAAL as a percentage of covered payroll	(9.6%)	(18.0%)	(14.3%)

# City of Farmington Hills, Michigan

## General Fund

### Notes to Financial Statements June 30, 2003, 2002, and 2001

#### Note 5 - Interfund Receivables and Transfers

The following are the interfund receivables of the General Fund by fund type:

	2003	2002	2001
Special Revenue Funds	\$ 1,181,260	\$ 403,626	\$ 340,405
Debt Service Funds	-	-	106,935
Capital Projects Funds	-	11,275	11,443
Enterprise Funds	18,166	11,337	-
Trust and Agency Funds	-	236,055	20,991
Total	<u>\$ 1,199,426</u>	<u>\$ 662,293</u>	<u>\$ 479,774</u>

The interfund transfers in for 2003 and 2002 represent the transfer of parks and recreation special millage collections from the Parks and Recreation Special Millage Special Revenue Fund. In 2001, transfers in consisted of \$670,000 of parks and recreation special millage transfers and \$527,116 transferred from the William M. Costick Activities Special Revenue Fund for senior citizens activity.

The interfund transfers out for each year represent amounts transferred to Special Revenue Funds for capital improvements.

#### Note 6 - Designated Fund Balance

The fund balance of the General Fund has been designated for the following purposes:

	2003	2002	2001
Subsequent year's expenditures	\$ 329,015	\$ 900,000	\$ -
Land acquisition, capital improvements, and road construction	5,739,350	7,369,827	8,077,116
Other	<u>1,800,000</u>	<u>2,200,000</u>	<u>2,391,203</u>
Total	<u>\$ 7,868,365</u>	<u>\$ 10,469,827</u>	<u>\$ 10,468,319</u>

# City of Farmington Hills, Michigan

## General Fund

### Notes to Financial Statements June 30, 2003, 2002, and 2001

#### Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for workers' compensation and medical benefit claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (MMRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the MMRMA that the MMRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The City has elected to participate in the MMRMA stop-loss program, which limits the paid losses to \$525,000 for the most recent plan year.

The City estimates the liability for claims that have been incurred through the end of the fiscal year that have not yet been reported. This estimate is recorded as a general long-term liability in the City's government-wide financial statements and not in the General Fund.

Changes during the past three fiscal years in the estimated liability for claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported, were as follows:

	2003	2002	2001
Estimated liability - Beginning of year	\$ 739,000	\$ 713,000	\$ 682,500
Estimated claims incurred, including changes in estimates	459,964	247,860	239,309
Claim payments	(202,964)	(221,860)	(208,809)
Estimated liability - End of year	<u>\$ 996,000</u>	<u>\$ 739,000</u>	<u>\$ 713,000</u>
Estimated liability for claims reported	\$ 74,000	\$ 101,000	\$ 184,000
Estimated liability for claims incurred but not reported	<u>922,000</u>	<u>638,000</u>	<u>529,000</u>
Total estimated liability	<u>\$ 996,000</u>	<u>\$ 739,000</u>	<u>\$ 713,000</u>

# **City of Farmington Hills, Michigan**

## **General Fund**

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### **Notes to Financial Statements**

#### **June 30, 2003, 2002, and 2001**

#### **Note 8 - Joint Ventures**

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington and in the Southwest Oakland Cable Commission with the cities of Farmington and Novi. The City provides approximately 87 percent of the funding for the Michigan 47th District Court Administration Fund, funding which is offset by the City's share of fines and fees collected by the Court, the amount of which varies from year to year. The Cable Commission currently does not receive a subsidy from the City.

During the years ended June 30, 2002 and 2001, the City advanced a total of \$2,218,226 to the Southwest Oakland Cable Commission for the acquisition of a new facility, improvements to the facility, and equipment to be used in its operation. The advances will be repaid to the City in annual installments of approximately \$246,000, including interest at 7 percent, through 2017. Fund balance in the General Fund has been reserved for the advance since these amounts are not available for use to finance operations as of year end.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County. The Recycling Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom, and the Charter Township of Lyon. The joint venture receives its operating revenue from member contributions and miscellaneous income.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of any of the above joint ventures in the near future.

Complete financial statements for the 47th District Court Administration Fund, Southwest Oakland Cable Commission, and Resource Recovery and Recycling Authority of Southwest Oakland County can be obtained from the administrative offices at 31555 Eleven Mile Road, Farmington Hills, MI 48336.



# City of Farmington Hills, Michigan

## General Fund

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### Notes to Financial Statements June 30, 2003, 2002, and 2001

#### Note 9 - Accounting Change

Effective July 1, 2002, the City of Farmington Hills, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

As a result of the implementation of these standards, fund balance in the General Fund at July 1, 2002 has been increased by \$143,439, resulting from the reclassification of certain compensated absence liabilities as general long-term liabilities. General long-term liabilities are reported in the City's government-wide financial statements and not in the General Fund. Under the provisions of Interpretation No. 6, liabilities for compensated absences are reported in the General Fund only to the extent that they have matured at year end (normally upon the occurrence of an event such as employee resignations and retirements).